GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2086
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Dormant Accounts
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Will the Minister of FINANCE be pleased to state:

(a) whether the lakhs of dormant accounts of insurance companies, pension and annuity schemes and private provident fund trusts are not identified/checked and not brought into the notice of the Government;

(a) if so, the details thereof along with the guidelines in this regard;

(c) whether the insurance companies are not under the ambit of these guidelines; and

(d) if so, whether the Government will amend the guidelines for insurance companies, pension and annuity funds, provident funds, etc. so that dormant accounts money can be transferred to Government"s Consolidated Fund?

Answer

Minister of State in the Ministry of Finance

(a) to (d) There are unclaimed amounts of policyholders with various insurance companies in India. The approximate unclaimed amount with insurance companies as on 31.03.2016 is Rs.11,668 crore. The company wise details of unclaimed amounts are placed at Annexure-I.

No such instances of unidentified/ unchecked/unclaimed accounts have been reported under National Pension System.

Employees' Provident Fund Organisation has informed that there is no system of capturing data relating to dormant accounts lying in private Provident Fund Trusts.

The details of directions issued by Insurance Regulatory and Development Authority of India (IRDAI) on handling of unclaimed amounts of policyholders by the insurance company are placed at Annexure-II.

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Annexure-I
Unclaimed Amount of Policyholders AS ON 31.03.2016 (Rs in crore)

S No.	Non Life Insurers	Unclaimed Amount	S No.	Life Insurers	Unclaimed Amount
1	Bajaj Allianz General Insurance Co. Ltd.	9.37	1	AEGON Life Insurance Company Limited	57.41
2	ICICI Lombard General Insurance Co. Ltd.	106.56	2	Aviva Life Insurance Company India Ltd	216.62
3	IFFCO Tokio General Insurance Co. Ltd.	31.03	3	Bajaj Allianz Life Insurance Company Ltd	466.02
4	Reliance General Insurance Co. Ltd.	50.47	4	Bharti AXA Life Insurance Company Ltd.	60.77
5	Royal Sundaram General Insurance Co. Limited	16.26	5	Birla Sun Life Insurance Co. Ltd	230.99
6	Tata AIG General Insurance Co. Ltd.	21.05	6	Canara HSBC Oriental Bank of Commerce Life Insurance Co. Ltd.	34.84
7	Cholamandalam MS General Insurance Co. Ltd.	12.09	7	DHFL Pramerica Life Insurance Co. Ltd.	10.95
8	HDFC ERGO General Insurance Co. Ltd.	13.31	8	Edelweiss Tokio Life Insurance Co. Ltd.	2.08
9	Future Generali India Insurance Company Ltd	7.88	9	Future Generali India Life Insurance Co. Ltd	39.55
10	Universal Sompo General Insurance Co. Ltd.	16.53	10	HDFC Standard Life Insurance Co. Ltd	711.23
11	Shriram General Insurance Company Limited	12.12	11	ICICI Prudential Life Insurance Co. Ltd	495.65
12	Bharti AXA General Insurance Company Limited	18.80	12	IDBI Federal Life Insurance Company Ltd.	8.71
13	Raheja QBE General Insurance Company Limited	0.22	13	IndiaFirst Life Insurance Company Limited	81.54
14	SBI General Insurance Company Limited	10.38	14	Exide Life Insurance Company Limited	63.50
15	L&T General Insurance Company Limited	1.74	15	Kotak Mahindra Old Mutual Life Insurance Ltd	30.87
16	Magma HDI General Insurance Company Limited	0.78	16	Life Insurance Corporation of India	5934.42
17	Liberty Videocon General Insurance Company Ltd	0.20	17	Max Life Insurance Co. Ltd	213.38
18	Star Health and Allied Insurance Company Ltd	0.81	18	PNB Metlife India Insurance Co. Ltd.	221.16
19	Max Bupa Health Insurance Company Ltd	2.56	19	Reliance Nippon Life Insurance Company Ltd	562.93
20	Apollo Munich Health Insurance Company Ltd	2.46	21	Sahara India Life Insurance Co, Ltd.	3.75
21	Religare Health Insurance Company Limited	1.49	20	SBI Life Insurance Co. Ltd	653.38
22	Cigna TTK Health Insurance Company Ltd.	3.33	22	Shriram Life Insurance Co Ltd.	64.07
23	Kotak Mahindra General Insurance Company Ltd	0.00	23	Star Union Dai-ichi Life Insurance Co. Ltd.	126.64

24 National Insurance Company Limited 74.70 24 Tata AIA Life Insurance Company Limited 238.41
25 New India Assurance Company Limited 140.81 Total (B) 10528.87
26 United India Insurance Company Limited 143.69
27 Export Credit Guarantee Corporation of India Ltd 1.76
28 Agriculture Insurance Company of India Ltd. 438.99
Total (A) 1139.42

Grand Total (A) + (B) 11668.29

Annexure - II

HANDLING OF UNCLAIMED AMOUNTS PERTAINING TO THE POLICYHOLDER

1. Background:

Unclaimed amount is not uncommon in insurance sector and over a period of time a huge amounts have accumulated as unclaimed amount which is a cause of concern. It has been noticed by the Authority that the quantum of the amount lying unclaimed by the policyholders / insured's is accumulating on year on year basis. The Limitation Act, 1963 provides a time limit of 3 years for claim due to a policyholder under an insurance policy.

In order to bring better governance, transparency and smooth transfer of the amount due to the policyholders, the Authority has issued directions in the matter.

2. Definitionof Unclaimed Amount:

Unclaimed amount includes any amount payable to policyholder as death claim, maturity claim, survival benefit, premium due for refund, premium deposit not adjusted against premium and indemnity claims etc. remained unclaimed beyond six months from the due date for settlement of the claim amount.

3. Forms of Unclaimed Amount:

The unclaimed amounts of the policyholders/Insured's may be on the following account:
a. claims settled but not paid to the policyholders / insured's due to any reasons except under litigation from the insured / policyholders
b. sum due to the insured / policyholders on maturity or otherwise
c. Any excess collection of the premium / tax or any other charges which is refundable to the policyholders either as terms of conditions of the policy or as per law or as may be directed by the Authority but not refunded so far

4. ReasonsforincreasingtrendofUnclaimed Amount:

a. Lack of Awareness: Dependants of the insured are not aware about the insurance policy taken by the insured. Therefore in the event of untimely death of the insured, the family members are not in a position to claim the amount.

b. Delay: The settlement of the claims / maturity amount etc. is largely made by issuance of the cheques / demand drafts. Clearance of these instruments takes some time and in few cases the cheques / demand drafts are time-barred and remain un-presented for payments.

c. Change in address: in few cases, change of address is not duly intimated to the insurer. In the absence of which cheques/ demand drafts issued by the insurer towards maturity payment etc. are not received by the insured and become time barred.

5. Provisions governing the Unclaimed Amount:

In order to bring better governance, transparency and smooth transfer of the amount due to the policyholders, all insurers have been advised as under:
1. No apportionment/write back:Unclaimed amount shall not be appropriated/written back, in any circumstances, by the insurers.

2. Policyholder Protection Committee: Policyholder Protection Committee of the Board shall oversee timely payouts of the dues to policyholders. A detailed agenda items covering the following shall be placed before the Committee on quarterly basis :

a) Payouts made by the insurer during the quarter
b) Comparison of the payments of unclaimed amount vis a vis previous quarter.
c) Steps taken by the company to reduce unclaimed amount by identifying the insured, creating awareness etc.

The details of the action taken and status of the unclaimed amount along with a certified copy of the minutes of the Committee shall be filed with the Authority on half yearly basis within 45 days from the end of the half year.

3. Audit Committee: The Audit Committee of the Board shall have oversight on the unclaimed amounts. The committee shall also oversee compliance of the directions of the Authoity.

4. All insurers are required to display the information about any unclaimed amount above Rs. 1000/- (Rs. One Thousands only) of Policyholders on their respective web-site.

A facility shall be given in the website of the insurer to enable Policyholders/or its dependants to find out whether any unclaimed amounts due to them are lying with the insurer. For this purpose, the Policyholder may be allowed to enter the following fields in a window provided in the website for this purpose:
a) Policy No.
b) PAN of the Policyholder
c) Name of the Policyholder
d) Date of birth of the Policyholder
Name of the Policyholder and Date of birth may be made as compulsory fields to enter, while Policy No. and PAN may be optional fields.
Based on the above information entered, the insurer's website shall, if the credentials matches (on matching of any two fields), confirm the name of the Policyholder and address of the Policyholder against whom any unclaimed amount is lying with the insurer.
5. Remittance:Insurers shall remit proceeds of all claims / maturity payments/ any other sum due to the policyholders or nominees or assignees only through Electronic mode as under:

A. For existing policies:

In case of life insurance, a communication providing an option of electronic transfer shall be sent to the insured along with the next communication which is sent to the Policyholder. Further, a standard clause to this effect may be included as foot note in all future communications with the Policyholders.
In case of non-life insurance, bank account detail shall be collected in the event of claim or payment of refund or at the time of renewal.
All claims / maturity payments / other sum due to the policyholders shall be paid through electronic mode where such option has been exercised by the insured.

B. For new policies:
i. Insurer shall take all the required details of the bank account of the insured / proposer in the proposal form. Insurer shall also insist necessary documents as a proof of the bank account to ensure authenticity of this information such as cancelled cheque etc. However, insurers are not required to collect the cancelled cheque where payment of premium is made by the proposer through cheque from his own bank account. Retaining a copy of the cheque issued by the proposer shall be sufficient compliance of this clause.
Exemptions: The following are exempted from the applicability of the clause
a) All term insurance policies (without return of premium) are exempted from the applicability of this clause. In the case of death claim, bank details of nominee shall be called for in the event of a claim.
b) All policies issued to policyholder having a bank account with a bank which is not having linked to RBI Core Banking Solutions (Co-operative or Regional Rural Bank).
c) All insurance policies where the annualized premium payable is up to Rs. 25,000/- (Twenty Five Thousand only) or such other sum as may be specified by the Authority from time to time.

ii. Insurer shall also provide an option to the Insured to change the bank account / modify the bank account particulars in case insured desires so. Such option shall be provided to the policyholders without any charge.

C. All payments due to the insured relating to such policy will be routed through the said bank account through Electronic Clearing System (ECS), National Electronic Funds Transfer (NEFT), Real Time Gross Settlement (RTGS), Interbank Mobile Payment Service (IMPS), Automated Clearing House (ACH) or any other electronic mode as permitted by RBI.

6. In order to minimize the unclaimed amount, Insurers shall endeavor to keep the Policyholder and beneficiary informed about any updates, changes and maturity details by SMS alerts or Email or any other mode as may be specified by the Authority on regular basis.

7. Treatment of Unclaimed Amount - Non-Life, Health and Life (including ULIPs)

Insurers shall maintain a single segregated fund to manage all unclaimed monies and the sum of such fund shall be invested in money market instruments and /or fixed deposits of scheduled banks.

8. Treatment of Investment Income

All insurers shall credit the investment income accruing on the unclaimed amount to the respective identified unclaimed account
The Insurer shall pay the identified unclaimed amount along with the investment income so credited, to the insured/ policyholders / claimants. However, in case of any award/ order made by a statutory body including a court, which includes an interest component, it shall not carry any further interest.

9. Recovery of Expenses

Insurers may recover administration and fund management expenses from the unclaimed amounts. However, such recovery shall not in any case exceed 20 basis points per annum of the said underlying funds.

10. Manner of Computation of Solvency Margin

The unclaimed amounts, the investment income accrued / earned on the said unclaimed amounts and the investments representing such amounts shall not be counted towards computation of solvency margin.

11. Disclosure of Unclaimed Amount

a) Unclaimed amount shall be disclosed as a separate line item in Schedule 13 − "Current Liabilities" of the Balance Sheet.

b) Aging of the unclaimed amount

There may be instances where insurers have issued cheques against the outstanding unclaimed amounts but some of these cheques may have not been encashed by the policyholders. In such cases, after the expiry of the validity period of the cheques, the same shall be credited back to unclaimed amount. However, the age-wise classification of such amounts shall continue from the original date of such unclaimed amount. The insurers shall not, under any circumstance, re-classify such amounts for the purpose of age-wise classification.

c) Disclosures in the Notes to Accounts

The insurers have been advised to disclose the unclaimed amounts along with its ageing as per the prescribed format in the Notes to Accounts forming part of the Financial Statements.